

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6906

BILL NUMBER: SB 274

NOTE PREPARED: Feb 12, 2004

BILL AMENDED: Feb 12, 2004

SUBJECT: Tax Abatement Fee.

FIRST AUTHOR: Sen. Skillman

FIRST SPONSOR: Rep. Frenz

BILL STATUS: CR Adopted - 2nd House

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: Local

Summary of Legislation: This bill provides that a municipality or county that grants a tax abatement to a property owner may impose an annual fee with the consent of the property owner. The bill provides that the amount of the fee is equal to: (1) a percentage of the additional property taxes that would have been paid during that year without the abatement (not to exceed 15%), or (2) \$100,000, whichever is less. The bill also allows the designating body to terminate the abatement if the fee is not paid.

Effective Date: July 1, 2004.

Explanation of State Expenditures:

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: Under this bill, the economic revitalization area (ERA) designating body would be permitted to impose a fee upon taxpayers in the ERA that is equal to a percentage of the taxpayers' abated property taxes. The percentage would be set by resolution of the designating body and could not exceed 15%. Additionally, the fee would be limited to \$100,000.

The fee, including the fee percentage, would have to be incorporated into the initial approval of the statement of benefits and the deduction, with the property owner's consent at the time of approval. The fee could be assessed only against abatements that are approved after June 30, 2004, and could not be assessed against abatements in a residentially distressed area. Taxpayers that fail to pay the fee could lose their abatement.

Fee revenue would have to be distributed to one or more public or nonprofit entities that promote economic development within the area served by the designating body.

The amount of revenue generated by this bill would depend on (1) the property tax savings from abatements approved after June 30, 2004, and (2) the fee percentage, if any, adopted by the designating bodies.

State Agencies Affected:

Local Agencies Affected: ERA designating bodies; County auditors.

Information Sources:

Fiscal Analyst: Bob Sigalow, 317-232-9859.